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SUBJECT: PREPARING FOR THE ESTRADA VERDICT

11. (SBU) Summary: Former President Estrada's long-running corruption trial may soon be over. The anti-graft court could hand down its verdict on the charges of plunder and perjury at any time within the next few weeks. While the verdict in the case -- combined with the arrest in the Netherlands on murder charges of communist leader Joma Sison and the resurrection of the "Hello Garci" vote-rigging scandal -- could create some political unrest, it comes at a time when the Arroyo Administration enjoys relative political strength and stability. A not-guilty verdict, however, could be seen as a victory for the opposition and could resurrect questions over the legitimacy of Arroyo's presidency. In any case, the police and military are preparing for any possible unrest, including putting on alert 6,000 police and military forces. End Summary.

The Case Against Estrada: Plunder and Perjury

12. (U) Former President Joseph Estrada was ousted from power in January 2001, after an unsuccessful impeachment trial and weeks of popular demonstrations protesting his alleged corruption. The Supreme Court ruled that Estrada had effectively resigned from his post when he abandoned the Presidential Palace in the face of the "People Power" demonstrations. With the Presidency vacant, then-Vice President Gloria Macapagal Arroyo succeeded Estrada as president. In April 2001, the Department of Justice levied criminal charges against Estrada for plunder for allegedly accepting millions of dollars in bribe money from illegal gambling operations, diverting millions of dollars of excise taxes to his personal accounts, depositing his proceeds into alias name bank accounts, and profiting in commissions from stock manipulation. The Department of Justice separately charged Estrada with perjury for failing to disclose a number of businesses in a 1998 statement of assets, which all government officials are required to file annually.

13. (U) Estrada was immediately arrested, but due to failing health, the court allowed Estrada to be placed under house arrest from April 2001 to the present. The two cases against him have dragged in the Sandiganbayan (the anti-graft court) for more than six years. According to Sandiganbayan executive clerk Theresa Pabulayan, both the plunder and perjury cases were submitted to the three-judge panel for resolution in mid-June of this year, following closing arguments. If the court adheres to the prescribed 90-day period to issue a decision, the verdict could be handed down within two weeks. While the verdict could be handed down at any time, Pabulayan noted that the court could extend the 90-day period because of the complexity of the case.

After the Verdict...

¶4. (SBU) While the Philippines has enjoyed relative political stability the last two years, a guilty verdict could spark some unrest. Estrada "supporters," most of whom are mobilized for a fee, could again take to the streets, as they did during the violent May 2001 siege of Malacanang. In addition, the political left, incensed by the recent arrest of Communist Party founding chairman Joma Sison in the Netherlands, could exploit the issue to retaliate, providing bodies to increase and agitate the crowd. However, it is more likely that a guilty verdict would be calmly accepted by the general public who - perceiving a certain independence and fairness in the court - would welcome the closure of this six-year distraction.

¶5. (SBU) Conversely, a not-guilty verdict could be seen as a victory for the opposition and could pose political problems for President Arroyo. Estrada supporters would likely ramp up their destabilization efforts against Arroyo and resurrect questions over the legitimacy of her presidency. A not-guilty verdict would also rankle civil society groups, anti-corruption advocates, and some members of the middle class, who could peacefully take to the streets and express their indignation over the verdict, the precedent it sets, and its implied message that the rich and powerful are above the law.

¶6. (U) Estrada, now 70, has denied knowledge of any opposition destabilization plans, stressing he has been detained and isolated. Appealing for calm among his supporters, he declared that he would be cleared "based on

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the merits" of the case and would leave his fate "in the hands of God and in the hands of the people."

Opposition Rumblings

¶7. (U) Meanwhile, there have been unconfirmed reports that the opposition -- following Philippine conventional wisdom that any successful attempt to destabilize the government requires the support of the military -- is actively recruiting members of the military into their ranks. To counter these rumors, National Capital Region Command Chief Gen. Ben Dolorfino maintained that the military "remains solid behind the chain of command" and that destabilizers would fail in luring soldiers to engage in military "adventurism." For his part, Presidential Management Staff chief Cerge Remonde said the administration is "firmly in control -- it has faced all sorts of crisis and will prevail."

¶8. (U) Amid these rumors, opposition Senator Panfilo Lacson has initiated the reopening of the investigation of alleged vote rigging involved in President Arroyo's tainted 2004 election victory, a move to sustain the opposition's anti-Arroyo propaganda as well as give Lacson some media mileage for his presidential bid in 2010. However, the opposition itself appears divided, with Senator Gregorio Honasan, a retired military colonel who faced rebellion charges after allegedly leading coup attempts against Presidents Aquino and Arroyo, breaking with Lacson and others on this issue. Honasan continues to command significant respect and following in military circles and his break with the opposition will likely send a signal to other officers.

Preparing for the Verdict

¶9. (U) Whatever the outcome of the court decision, the Armed

Forces of the Philippines (AFP) and the Philippine National Police (PNP) believe the decision will likely be divisive and lead to demonstrations, whether by Estrada supporters if the Sandiganbayan finds him guilty, or by civil society and anti-corruption advocates should the Sandiganbayan find him not guilty. To prepare for the verdict, the AFP and PNP have developed a plan to place some 6,000 policemen and military troops at strategic locations, including the Sandiganbayan and Malacanang, on the day the decision is handed down.

Comment

¶10. (SBU) While the verdict in the Estrada case -- combined with the arrest of Sison and the resurrection of the "Hello Garci" vote-rigging scandal -- could create some political unrest, it comes at a time when the Arroyo Administration enjoys relative political strength and stability and the economy is humming along at a healthy pace, making it improbable that the verdict will have much of an impact on the Administration. Moreover, President Arroyo continues to maintain the support of the military leadership -- both through the Administration's strong commitment to the Philippine Defense Reform Program and support of military operations, and her personal commitment to the troops (she has visited wounded soldiers several times) -- further ensuring stability. Estrada's corruption case has dragged on for more than six years, during which his political influence has waned, making it difficult to build support. In any event, the military and police, which are following these events closely, appear to have learned a hard lesson from past popular demonstrations and are well prepared to avert violent demonstrations.

KENNEY